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REPORT OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON POVERTY ALLEVIATION ON ITS SESSION

Held at the Palais des Nations, Geneva,
from 24 to 28 January 1994

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INTRODUCTION

1. The Intergovernmental Group of Experts on Poverty Alleviation, established as part of the preparatory process in the work programme of the Standing Committee on Poverty Alleviation (TD/B/39(2)/13, TD/B/CN.2/5, Annex I) held its first session from 24 to 28 January 1994. In the course of the session, the Intergovernmental Group of Experts held two plenary meetings.

Opening statements

2. **The Deputy to the Secretary-General of UNCTAD** emphasized the importance of the Group's role at a time when poverty remained a pervasive phenomenon. The burden of poverty was spread unevenly, not only among countries but within them, weighing most heavily on women, children and the rural population. Confronting this growing challenge was one of the most pressing tasks before the international community. Elimination of poverty had been set by the General Assembly as a priority objective for the 1990s. However, for three consecutive years the expansion of world output had fallen short of global population growth, raising the spectre of additional contraction of productive employment, erosion of welfare and continued marginalization of the vulnerable and weak. This made the task of alleviating poverty and promoting sustainable and equitable socioeconomic development even more onerous. The key was to mobilize and generate new resources at the community and local levels as well as at national and international levels. A supportive environment for poverty alleviation required simultaneous actions along three axes: (i) the design and implementation of appropriate macroeconomic and sectoral policies conducive to growth and the creation of productive employment benefiting the poor; (ii) delivery of social services for and to the poor (including primary health care, basic education, nutrition, water supply and sanitation); and (iii) establishment of safety nets for the most vulnerable groups.

3. Within this overall strategy, priority had to be given to the design, sequencing and implementation of policies which would integrate the poor into productive activities, that is, make them active participants in the growth process itself. Effective programmes had to be demand driven. The poor should be encouraged to participate in the formulation and implementation of anti-poverty programmes at the community level. It was also essential to incorporate systematically a gender element, as women were more disadvantaged and vulnerable than men but had the potential to make a greater contribution to poverty alleviation.

4. Clear answers were needed on several fronts. On the important question of safety nets, for example, their role within a country's overall development strategy merited careful consideration. Should they be permanent or transitional? Should they be used to transfer social benefits or only to provide emergency relief, bearing in mind that safety nets were vital to the well-being of many of the poor? Sustainable safety nets required adequate financing, however. This issue could be discussed alone or in the context of making resources available to the poor, including how to promote, facilitate and mobilize household savings and the efficient allocation of credit and credit access. Increased resources at the national level did not automatically mean increased flows of resources to the poor; fiscal measures

to balance the budget might even restrict the distribution of income to them. Governments had to be vigilant so as to maintain the provision of basic health care and education at past levels at least. Cutbacks in social expenditures all too often had a disproportionate impact on the welfare of the rural poor, especially. Practical solutions to such problems were needed.

5. On the role of international support within the framework of an international partnership for the reduction and prevention of poverty, fruitful discussion might focus on ways to improve policy dialogue and devise modalities whereby aid programmes and projects could reach and truly help the poor.

6. Although the Group's principal mandate was to identify major issues to guide the debate during the second session of the Standing Committee in July, providing it with possible answers and practical recommendations while identifying priority areas and modalities of support by donors, its agenda was also highly relevant to the core issues facing the 1995 World Summit for Social Development: namely, the problem of social integration, particularly of disadvantaged and marginalized groups; the alleviation of poverty; and the expansion of productive employment.

7. The **Chairperson** underlined the fact that the Standing Committee on Poverty Alleviation had been established as one of the innovative instruments for implementing the new partnership for development, launched in Cartagena at UNCTAD VIII. In line with this sense of partnership, in its deliberations the Group could concentrate not only on national efforts required to mobilize effectively domestic resources for poverty alleviation, but also on how international support should complement these efforts. While it was understood that primary responsibility for fighting poverty and promoting social welfare lay at the national level, it was also recognized that national efforts could be enhanced by international cooperation, especially in the case of the least developed countries and other low-income countries. Both rich and poor alike had a stake in alleviating poverty, since the prevalence of this terrible scourge threatened social and political stability around the world and not just in the countries most affected.

8. Turning to the organization of the meeting, she suggested that the Group consider specifically the various forms of safety nets targeted to the poor, including those designed to cope with the adverse effects of adjustment reforms which many countries were now pursuing, and those intended to protect the most vulnerable of the poor from unforeseen calamities and external shocks. It would also be particularly helpful to hear about national experiences with social funds, a relatively new mechanism recently being tried in a few countries. Useful conclusions could surely be derived from all types of successful development experience.

Chapter I

EXCHANGE OF EXPERIENCES ON POVERTY REDUCTION IMPACTS OF SOCIAL FUNDS AND SAFETY NETS, INCLUDING MOBILIZATION OF DOMESTIC AND EXTERNAL RESOURCES FOR POVERTY ALLEVIATION

(a) SOCIAL FUNDS AND SAFETY NETS
(b) MOBILIZATION OF DOMESTIC RESOURCES FOR POVERTY ALLEVIATION
(c) MOBILIZATION OF EXTERNAL RESOURCES FOR POVERTY ALLEVIATION

(Agenda item 3)

9. For its consideration of this item, the Intergovernmental Group of Experts had before it the following documentation:

"Exchange of experiences on poverty reduction impacts of social funds and safety nets, including mobilization of domestic and external resources for poverty alleviation", issues note by the UNCTAD secretariat (TD/B/CN.2/GE.1/2).

Background documents:

"Recent developments in social funds and safety nets" (UNCTAD/PA/2).

"Mobilization of domestic resources for poverty alleviation" (UNCTAD/PA/3).

"Mobilization of external resources for poverty alleviation" (UNCTAD/PA/4).

10. The representative of **Switzerland** expressed satisfaction with the documentation on this subject prepared by the UNCTAD secretariat and full support for the work at hand. Switzerland was convinced that the approach chosen to deal with this subject was the right one because UNCTAD, as a worldwide institution free of operational constraints, lent itself to the exchange and examination of national experiences in the domain of poverty alleviation. These considerations were significant in view of the fact that this question also constituted one of the core issues of the 1995 Summit on Social Development. Improvement of the quality of aid was a question that the Group could usefully take up. An important cause of poverty was the lack of power on the part of the poor, especially political power in the sense of access to productive resources: water, land, credit, social services. A more political approach should be pursued on various levels: at the level of political dialogue between donor and recipient countries; at the level of national policy on agrarian reform, access to resources, human rights and fiscal equity; at the personal level, by encouraging an active rather than a passive role, with strategies to convert poverty into active self-development.

11. The representative of the **International Cooperative Alliance** (ICA), referring to the documents prepared by the UNCTAD secretariat, outlined aspects which would need to be highlighted, such as the important role played

by the thrift and credit cooperative movement (also known as credit unions), as these had become successful non-bank financial institutions in the developing world. Their rise proved that the poor had both the capacity to save and to be creditworthy. The practical experience in cooperative development showed that constraints - both external and internal - existed. However, the necessary changes were being actively pursued by Governments, development agencies and cooperatives alike. In Latin America and, particularly, Asia, cooperatives were expanding rapidly and proving beyond a doubt their ability to improve the economic and social condition of their members.

12. The representative of **Panama** emphasized the value of exchanges of national experience. He supported the view that for poverty alleviation there had to be commitment at the highest political level. Economic reform could not be separated from social reform. Community participation was needed to build confidence in government and for successful implementation of programmes for poverty alleviation. As good government was essential, efforts to strengthen democracy should emphasize clarity of policy. Despite sustained economic growth after World War II, there had been an increase in the incidence of poverty as economic growth was quite unevenly distributed. Debate should thus emphasize the development process, giving attention not so much to assistance programmes but rather to the positive results of community participation in stimulating members to play an active part in their own development.

13. The representative of **El Salvador** drew attention to the country's Social Investment Fund, set up in 1990 for a seven-year period. The Fund was aimed at addressing the problem of extreme poverty and there had been a sizeable number of beneficiaries. It was hoped that experiences of other countries in dealing with alleviation of poverty would help to throw light on viable solutions. Success hinged on an approach which would look after the needs and demands of the poorest while moving towards a participatory style of government, thus making the poor protagonists in their own development.

14. The representative of **Argentina** said that poverty was most acute in the context of hunger. He agreed that ways and means should be pursued to combine international cooperation with national efforts to promote the self-confidence and self-sufficiency of the poor. To this end, activities within the United Nations could concentrate on three main areas, namely: (a) elimination of hunger and extreme poverty through training of the poor for self-sufficiency; (b) better access to productive employment; and (c) strengthening the self-confidence of the poor in their own capacity to combat poverty.

15. The representative of **Guatemala** noted the reference made by the secretariat to his country's Social Investment Fund, and offered participants additional examples of efforts to alleviate poverty. In order to deal with the specific situation of structural adjustment following three decades of internal problems, the Government had set up the Fund for Peace with the help of international assistance. The object was to bring aid to the more than 40,000 people displaced as a result of the civil war, eventually including returning refugees. It covered housing, food, health care and provision of

primary tools. By having already in place a basic structure for relief, it was hoped that when a peace agreement was signed, the Fund could be immediately activated.

16. The representative of **Bangladesh** observed that despite the various measures taken, poverty had increased. The approaches to combating poverty suffered for being piecemeal and fragmented schemes rather than programmes systematically integrated into national development efforts. Funds for poverty alleviation in both national and donor budgets should be earmarked for specific programmes where a concerted, clear-cut effort could be sustained. A propos of the statement by the representative of the International Cooperative Alliance, his country's experience with cooperatives had, on balance, been far from a happy one.

17. The representative of **Nepal** referred to his country's experience with poverty alleviation. As a landlocked country, mobilization of assistance to the poor was a matter of priority. The thrust was toward the rural population where most of the poor were concentrated. Nepal's Basic Needs Programme, launched in the past had not been fully able to meet the rapidly rising expectations of the population since the democratic changes of recent years. As a result, a new poverty-oriented programme under the eighth five-year plan (1992-1997) had recently been launched. There was a need for proper programme targeting, not only for stimulating economic growth which was quite low but also for educating the poor to make them more self-sufficient. As Nepal was 90 per cent rural, support for poverty alleviation had to be coordinated at the right level.

18. The representative of the **International Trade Centre** UNCTAD/GATT (ITC) pointed out that foreign trade could make a great contribution to economic growth and, under certain conditions, to poverty reduction as well. Most developing countries, particularly the least developed countries, were characterized by low per capita incomes and consequently by small domestic markets which made it imperative to add the export dimension so as to permit and encourage the expansion of production and opportunities for employment and income generation necessary for pulling people out of the poverty trap. Although the incidence of poverty was a phenomenon of both urban and rural areas and ITC's substantive programmes broadly contributed to poverty reduction in both sectors, recent ITC poverty alleviation efforts had focused on rural areas where most of the poor were to be found. The efforts had been directed at creating export-oriented production and employment opportunities. Incomes earned by the poor through these efforts enabled them to afford "poverty alleviation products and services", such as education, potable water, health care, improved nutrition and housing and social services. Many of ITC's pilot projects in the field followed the export production village concept, which had been applied successfully in certain developing countries. Through these projects, villages had been helped to organize themselves into self-owned export production companies. The assistance provided by ITC had been instrumental in developing a supply of commercially viable goods, mainly for the export and domestic markets. The other main elements were arrangements for marketing, financing, training and a focal-point capacity for planning, coordination, implementation and management of the entire scheme.

19. The representative of the **United Nations Development Programme** (UNDP) pointed to new developments, noting that poverty itself was not a new phenomenon. UNDP had taken a three-fold approach to the problem. (a) Poverty was viewed as a product of the dysfunction of society, impeding sustained development. (b) The poor lacked economic, social, political and cultural entitlements. (c) Conventional development strategies were part of the problem, not the solution, because the patterns of growth which they fostered did little to help the poor. There was a need for a new development paradigm that was people-centred and which would empower the poor who were increasing in numbers. There were many obstacles to getting out of the poverty trap: lack of access to productive assets, information, credit technology, social services and political influence were coupled with social discrimination and lack of access to a proper judiciary system. Social exclusion of the poor would be taken up at the Summit on Social Development in 1995 in the context of one of its three core issues dealing with social integration. UNDP stood ready to cooperate with the programme countries in strengthening their human, productive and institutional capacities for achieving their objectives in poverty eradication.

Action by the Intergovernmental Group of Experts

20. For the action taken by the Intergovernmental Group of Experts on Poverty Alleviation at its session, please see annex I.

Closing statements

21. The representative of **Egypt** wished to put on record comments which she had already raised in informal meetings during the session. They pertained to references to the Egyptian social fund for development in two secretariat studies, namely TD/B/CN.2/GE.1/2 and UNCTAD/PA/2. She mentioned that, first, these studies contained many gaps and errors of fact in relation to the Egyptian social fund, in addition to an erroneous analysis, leading to quite wrong conclusions. Secondly, such errors could have been avoided if the secretariat had circulated a draft for consideration in advance before presenting the documents to the Intergovernmental Group of Experts. She added that this would have allowed many points to be elucidated and would have avoided the resultant misunderstanding and confusion. When the Egyptian delegation had raised these points during the informal meeting, the UNCTAD secretariat answered that all the information contained in the documents cited above had come from interviews held by an expert with Egyptian officials. The Egyptian delegation had then requested the secretariat to provide the delegation with the records of these interviews so as to be able to determine the reasons which had led to the confusion and misunderstanding. The representative thus officially requested the secretariat's cooperation on this matter. She added that the Egyptian delegation would present in writing comments on the two documents in question, for inclusion in the final report of the Intergovernmental Group of Experts (see annex II).

22. The **Chairperson** assured the representative of Egypt that the meeting had taken note of her statement and invited her to transmit to the secretariat the necessary written comments.

23. The representative of **Nepal** expressed satisfaction that so many experts had come directly from capitals of developing countries to share their knowledge and experience with the Intergovernmental Group of Experts. He therefore wished to draw attention to the fact that the international community had always given top priority to the least developed countries, but in the outcome of the present session no specific reference had been made to them. However, the international community should maintain the priority accorded to the least developed countries, keeping in mind their vulnerability and the need to avoid marginalization of their situation.

24. The representative of the **United Republic of Tanzania** voiced support for the statement made by the previous speaker and wished to be associated with the views expressed.

25. The representative of **Panama** declared that his country would study with great interest the proposal of Argentina on the establishment of an international corps to combat hunger (see chapter II, **Other business**). He then went on to highlight certain aspects of the issues which had been touched on during the session. These included: States' capacity to raise fiscal revenue; the need to restructure public expenditure so as to channel more resources into the social sector; and how Governments could transform entrepreneurial initiatives into wider benefits. Sectoral policies, training, decentralization and information were other concerns mentioned. As to what constituted poverty, it definitely implied: "an essential lack of equality". Moreover, in considering the plight of the poor, one could not disregard human nature and such factors as the irrational drive for power. The helplessness felt by the poor, on one side, was often set against human insensitivity, on the other. In many cases, those whose actions could count often showed apathy for the creation of a just society. It was true that the poverty trap was hard to escape: poverty was itself its own obstacle. Moreover, by treating social and economic progress in parallel, the focus could become distorted as materialistic values tended to be emphasized at the expense of social concerns. A proper approach to development would entail social progress and justice. To this end, people must have a say in resolving questions that affected them. In the same vein, questions of environmental protection should not be ignored. Donors could help in the pursuit of such endeavours through information and financial support for restructuring and reform, including giving consideration to local initiatives with participation on the part of the people concerned. Such an approach would help shift the emphasis away from a primarily economic focus to encompass social concerns as well.

26. On behalf of the **Secretary-General of UNCTAD**, the **Chief, Poverty Alleviation**, extended a warm word of appreciation to all participants, many of whom had come from distant capitals and had contributed so much to the fruitful exchanges of experience. The country presentations both written and oral were invaluable. Such exchanges by the prime movers in the drive to combat poverty reflected the impetus given to this effort at Cartagena. This approach had already proven to be the key to the success of the seminar on mobilization and organization of the poor, which had taken place thanks to the hospitality of the Government of Tunisia and the support of the United Nations Development Programme and the Government of the Netherlands. Under the expert guidance of the Chairperson, the text elaborated during the present session

revealed by the broad general lines of its recommendations and conclusions the immensity of the task facing the international community in the fight against poverty. This text would constitute a valuable contribution to the unceasing search for action-oriented solutions and should be considered as a very positive outcome of the current session.

27. The **Chairperson** said that the constructive and active participation of delegates had greatly facilitated her task in guiding the debate of the Intergovernmental Group of Experts on Poverty Alleviation. The exchange of experience had presented a valuable opportunity to learn and draw lessons as well as identify obstacles which hampered the efforts to combat poverty. These exchanges would have a decisive impact on focusing the direction of the future work of the Standing Committee on Poverty Alleviation. In this regard, the Intergovernmental Group of Experts recommended that the Standing Committee incorporate into its future work the following: (a) the question of the relative effects and costs of each type of external aid to reduce poverty in specific countries and the determinant factors; (b) finding the most cost-effective strategies for ensuring that aid goes to those population groups for which it has been designated, thus enabling the established objectives of programmes for poverty alleviation to be reached. The Intergovernmental Group of Experts recommended that the analysis of these issues be carried out in close coordination with donors and above all with the recipient countries. There was consensus on the fact that poverty was not a residual problem but rather the result of a systemic dysfunction of society. Significant alleviation of poverty was possible in circumstances of economic growth and because of this it was important to adopt and pursue at national and international levels macroeconomic policies congruent with this aim. Most countries were aware of this imperative. Nevertheless, experience had shown that it was not possible to attack the problem of poverty solely with economic formulas. Social policies would have to be integrated into economic policies so that one did not obviate the other. One fact had clearly emerged in the debate: there were no ready answers. Moreover, with rare exceptions, the fight to alleviate poverty had not yielded the hoped for results.

28. The national case studies analysed by the Intergovernmental Group of Experts had elucidated elements of value in focusing national and international poverty alleviation efforts on the task ahead. For example, at the national level, it would be useful to reach consensus on a definition of material poverty and how it should be alleviated or eradicated and, even more important, to determine an acceptable cost-benefit ratio for this effort. Unfortunately, in most developing countries the domestic funds available for poverty alleviation programmes were scarce and insufficient both to supply necessities and to fulfil society's expectations. Reallocation of government budgets and the restructuring and decentralizating of social services could help free up funding for key programmes. Nevertheless, in most developing countries scarcity of funds was a limiting factor in the fight to alleviate or eradicate poverty. This was why it was essential to combine forces at the international level. However, as international funds for the developing world also had limits, they too must be channelled efficiently. For this it would be necessary to forge a link between donors and beneficiaries so that both worked towards the same objective. Experience showed that the use of external aid as an instrument of trade policy and/or foreign policy on the part of

donors was never very effective. Cooperation policies should be reviewed in the light of poverty eradication efforts. At the national level, it had been found that programmes usually had a greater chance of success when they involved those whom they were intended to help. She wondered if the same rule could not be applied to the design of external financial aid policies. The session had emphasized the usefulness of intergovernmental debate and exchange of views on matters which preoccupied all countries in the fight to eradicate poverty. The future work of UNCTAD in this area would also enrich the preparatory process for the Social Summit in Denmark in 1995.

Chapter II

OTHER BUSINESS

(Agenda item 4)

29. The representative of **Argentina** first spoke of the need to combat one of the most insidious forms of tax affecting the poor, namely persistent inflation. The resources available to help the poorest segments of the population had been greatly augmented by the resurgence of credits and investments which followed recovery of economic stability in Argentina. Large public investment programmes had been launched in the areas of greatest need but further efforts at the macroeconomic level were required.

30. He then went on to describe an initiative which the President of Argentina had proposed on World Food Day (16 October 1993), the "White Helmets" Corps for the Fight Against Hunger. As this initiative would require coordination with other agencies and programmes within the United Nations system, it was important to underline the main objectives. They were to eradicate hunger and eliminate extreme poverty. This would be done through training those who live under these conditions so that they become self-sufficient, acquire access to different work opportunities, gain confidence in their own capacity to overcome hunger and poverty, and learn that their own efforts will be decisive in opening the road to development. The focus would be on forming an international corps of volunteers with emphasis on activities aimed at the eradication of hunger through education and training for self-sufficiency, training to gain access to work opportunities, confidence-building, and cooperation in the distribution of food aid in case of serious crises. The corps would operate within the framework of the United Nations as a joint programme relying on extra-budgetary resources and voluntary contributions from the public and private sector. UNCTAD was invited to examine this proposal in view of its work on poverty alleviation.

Chapter III

ORGANIZATIONAL MATTERS

A. Opening of the session

31. The session was opened on Monday, 24 January 1994, by Mr. C. Fortin, Deputy to the Secretary-General of UNCTAD.

B. Election of officers

32. At its opening plenary, on 24 January 1994, the Intergovernmental Group of Experts elected Mrs. L. Sola de Saurel (El Salvador) as Chairman, Mr. M. Kummer (Switzerland) as Vice-Chairman, and Mr. V. Skliarov (Russian Federation) as Rapporteur.

C. Adoption of the agenda and organization of work

33. At its opening plenary, the Intergovernmental Group of Experts adopted the provisional agenda (contained in TD/B/CN.2/GE.1/1) as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Exchange of experiences on poverty reduction impacts of social funds and safety nets, including mobilization of domestic and external resources for poverty alleviation:

   (a) Social funds and safety nets

   (b) Mobilization of domestic resources for poverty alleviation

   (c) Mobilization of external resources for poverty alleviation

4. Other business

5. Adoption of the report of the Intergovernmental Group of Experts to the Standing Committee on Poverty Alleviation.

D. Adoption of the report of the Intergovernmental Group of Experts to the Standing Committee on Poverty Alleviation

(Agenda item 5)

34. At its closing plenary on 28 January 1994, the Intergovernmental Group of Experts adopted its draft report (TD/B/CN.2/GE.1/L.1) and authorized the Rapporteur to complete the report as appropriate, taking into account amendments by delegations to their statements and the proceedings of the final plenary.

35. In adopting its report, the Intergovernmental Group of Experts also decided to incorporate into its report TD/B/CN.2/GE.1/L.2, covering action taken at its session (see annex I).

Annex I

ACTION BY THE INTERGOVERNMENTAL GROUP OF EXPERTS

The Intergovernmental Group of Experts on Poverty Alleviation had been called upon to report to the Standing Committee on Poverty Alleviation at its second session (25-29 July 1994) on the poverty reduction impacts of social funds and safety nets and mobilization of domestic and external resources for poverty alleviation. To fulfil this mandate, it took up examples of national experiences which were discussed in informal sessions guided by secretariat issues papers. a/

The exchange in the Intergovernmental Group of Experts revealed a convergence of views on the need to address poverty concerns. Recommendations, conclusions and a summary of issues have been identified as follows.

A. RECOMMENDATIONS

The Intergovernmental Group of Experts recommends that the Standing Committee on Poverty Alleviation during its second session discuss and identify with the help of donor agencies and, particularly, countries:

(i) The relative impact and intervention cost of each type of external assistance on poverty reduction in various countries and the factors contributing to that impact;

(ii) The most cost-effective strategies for ensuring that aid actually reaches the target group and meets the objectives of poverty alleviation programmes.

B. AGREED CONCLUSIONS

1. There is a consensus that poverty reflects a systemic disfunction of society and is not a residual by-product to be dealt with only through charity and transfer payments.

2. Consensus needs to be achieved by national societies on what is poverty, who are the poor and what may be appropriate policies for alleviating and reducing poverty. Consensus was established that proper analysis and concerted efforts need to be made by national societies, international and national organizations and institutions to understand better that poverty is a multi-faceted, complex phenomenon which requires interdisciplinary, multi-paradigmatic approaches.

3. Sound macroeconomic structures and policies, including pro-poor policies, are necessary prerequisites to the success of poverty alleviation programmes. Though necessary, economic growth is not sufficient to attain the objectives of such programmes. Social and economic policies must therefore be properly integrated.

4. It has been agreed that exacerbating external factors, such as deterioration in terms of trade, external debt burden and reduction of aid flows, do negatively affect development in developing countries and therefore contribute to increasing the number of the poor.

5. The development of gender-sensitive indicators, standards and evaluation procedures is important when planning, implementing and monitoring anti-poverty programmes.

6. Improving the access of the poor to resources, including income, productive assets and opportunities, is essential to the fulfilment of the basic needs of the poor (basic education, basic nutritional levels, primary health care, water and sanitation) and to achieving the objective of poverty alleviation and reduction.

7. Sustained policy commitment on the part of Governments and society is essential to poverty alleviation. This is necessary both at the international and national level.

8. There is a need to promote investment, gainful employment activities and the provision of social infrastructure and services in order to make a true and lasting impact on poverty reduction.

9. The success of anti-poverty programmes and projects is largely dependent on the involvement of recipients at the design stage. Their participation in the implementation stage and providing them with training are necessary are equally important for the success and sustainability of anti-poverty projects.

10. There are limits to what fiscal measures alone can do to alleviate and reduce poverty. In generating fiscal resources necessary for poverty reduction, tax reforms should be examined in terms of their trade-offs between collection efficiency and equity.

11. Savings are essential for sustaining long-term economic growth and thereby gradually alleviating and reducing poverty. In this respect, cooperatives, development banks, and non-profit grass-roots financial institutions can be very effective in generating savings in the informal sector and providing credits to the poor.

12. Innovative approaches to obtaining additional financial resources for social programmes need to be developed. Examples at the national level could include tax-exempt donations from private corporations, and the windfall proceeds to Governments from privatization programmes. At the international level, innovative approaches could include commercial debt swaps and official debt-conversion schemes to be used for anti-poverty projects.

13. Consistent approaches to anti-poverty policies and programmes should be developed in partnership between recipient and donor countries. The poor, as the intended beneficiaries, should also be involved.

C. CHAIRMAN'S SUMMARY OF ISSUES

Social funds and safety nets

1. The Intergovernmental Group of Experts emphasized the need for clear and multi-disciplinary conceptualization of anti-poverty programmes, which should be, inter alia, gender-positive and take into account cultural, religious and social particularities. This was highlighted and illustrated when specific country studies of social funds and safety nets were introduced. Operational considerations that were discussed included the targeting of activities and the scope of coverage, by types of programmes and by sectors. They differed in certain respects as regards the choice of indicators and mapping of poverty levels and areas, and whether or not exhaustive studies of poverty origins, factors and incidence should precede action programmes to alleviate poverty.

2. During the discussions that followed the presentations of country experiences, various factors which contributed to the success and those which hindered or limited the effectiveness of the social funds and safety nets were identified. Helpful conditions included:

(a) The need for a society to develop consensus on what is poverty and how it plans to eradicate its economic, cultural and social facets;

(b) The need for society to consider its poor as an asset rather than a burden;

(c) The need for a sustained commitment on the part of government and society as a whole to alleviate poverty;

(d) The need to integrate social and economic policies;

(e) The need for clear conceptualization of anti-poverty programmes, including the targeting of activities and the scope of coverage, as well as the types of programmes and sectors. (As regards the choice of indicators, measurements and mapping of poverty levels and areas, countries differed in their approaches and in the use of qualitative and quantitative data as well as the emphasis on multi-disciplinary definitions depending on national conditions);

(f) The need for human investment and delivery of social services which best benefited the poor, including basic education, primary health care, and water sanitation;

(g) The need to promote investment, gainful employment and self-employment, and the provision of social infrastructure and services, in order to make a true and lasting impact on poverty reduction;

(h) Demand-driven programmes should involve community participation, including non-governmental organizations and private and public agencies, in the design and implementation of anti-poverty activities;

(i) The need for standardization of projects and techniques that facilitated learning-by-doing and replication on larger scales.

3. Some of the factors which limited the effectiveness and sustainability of safety nets and social funds identified by the Group of Experts included:

(a) Lack of continuity in the fight against poverty over time and fragmented approaches to implementation;

(b) Inadequate financial assistance from bilateral and multilateral sources;

(c) Inconsistencies between national and international development priorities which adversely affected access to foreign aid;

(d) The top-down approach to donor-recipient aid-giving had not been effective in meeting the needs of the poor. Hence the need for providing more demand-driven aid;

(e) Difficulties of implementing anti-poverty programmes during periods of economic reforms and retrenchment while still meeting society's expectations.

4. Safety nets and social funds played an active role as a catalyst in the mobilization and allocation of funds to the poorest regions, particularly in areas and sectors not covered by public sector interventions. In some cases, these mechanisms also promoted cross-sectoral coordination of anti-poverty measures and programmes at the national level.

5. The Group of Experts felt that there was also a need for social welfare programmes aimed at segments of the population which could not be integrated into economic activities, e.g. the handicapped, the elderly, and victims of natural disasters and social strife, as shown in some country cases reviewed during the session.

6. Although wars, extreme poverty, natural disasters and other calamities worsened poverty, poverty conditions in the majority of cases predated natural disasters by decades. Social funds and safety nets had, however, been used to address some of the consequences of these disasters such as the reconstruction of social and physical infrastructure. Efforts were needed to integrate existing refugee programmes into a coherent social policy at national as well as regional levels. It was felt that special policy instruments as well as programmes should be promoted to reintegrate groups of society which are displaced owing to internal and regional conflicts as well as natural catastrophes, taking into account

especially refugees, displaced persons, repatriates as well as female-headed households, children, orphans and handicapped. The usefulness of social protection programmes comprising an element of "preparedness" that could anticipate the impacts of natural disasters and other calamities which might affect the poor was also pointed out.

7. Questions to which answers had yet to be found included: (i) how to overcome financial and institutional constraints, particularly for the poorest countries or those emerging from situations of wars or other disasters; (ii) whether countries should agree on a unified framework for the alleviation of poverty at the international level; (iii) was the development of a comprehensive database a precondition for the formulation, implementation and evaluation of anti-poverty programmes or should these programmes be initiated on the basis of available qualitative data? and (iv) should international organizations work at elaborating a standard international system of indicators of measurement of poverty?

Mobilization of domestic resources for poverty alleviation

8. On the subject of domestic resources mobilization and expenditures for the benefit of the poor, the main conclusions reached by the Intergovernmental Group of Experts were as follows:

(a) There were limits to what fiscal measures alone could do to alleviate and reduce poverty. Policies leading to increased economic growth might of themselves generate increased revenues for financing poverty-oriented programmes. An analysis of the social impact of fiscal reforms should therefore take into account the larger macroeconomic setting in which they operated. This included, for instance, the effects of changes in prices and exchange rates as a result of adjustment programmes.

(b) The wholesale transfer of tax systems and modalities of developed countries to developing countries could be inappropriate, given the narrow (direct) tax base, large share of population outside the money economy, and weak tax-collecting institutional capacities of many developing countries.

(c) In view of the growing recourse to indirect taxes as efficient complements to direct taxes in the fiscal reforms of developing countries, it would be important to determine whether, on balance, the likely regressive impact of indirect taxes was outweighed by the potential benefits accruing to the poor from augmented social expenditures made possible by the increased revenues generated by those taxes.

(d) Decentralized fiscal systems based on property assessments and cadasters in the formal residential and informal economic sectors of urban areas offered further scope for raising revenue on a progressive basis.

(e) The question of user charges on social services was complex and depended on the social sector concerned; for example, provision of urban services such as drinking water and electricity might feature sliding tariff scales in which the non-poor cross-subsidized the poor, but basic schooling and primary health care should be free. In practice, the latter were rarely completely free: the poor usually paid at least for medicines and basic school materials; education represented an opportunity cost for many poor rural households.

(f) The issue of whether savings or public expenditure brought more benefit to the poor was partly a temporal question: savings were essential to a long-term commitment to economic growth whereby poverty would gradually be reduced, whereas income redistribution through public expenditure was necessary not only for short-term poverty alleviation but also for human resources development and the creation of opportunities enabling many disadvantaged persons to escape structural poverty.

(g) Priorities for public expenditures benefiting the poor depended largely upon the specific circumstances of each country. For instance, countries where the overwhelming majority of the population was poor must tackle poverty through mainstream general-coverage programmes whereas countries with only pocket concentrations of poverty might target poverty-specific interventions to the poorest. Likewise, the emergency programme requirements of poverty alleviation for countries experiencing economic, man-made or natural disaster shocks would differ from those seeking to reduce structural poverty over the long term.

(h) A longer-term consideration to bear in mind was how social welfare expenditure might be gradually modified and possibly reduced as a share of total expenditure as the incidence of poverty declined in countries able to progress to a more prosperous stage of development with less disparity in income.

(i) Innovative approaches to obtaining additional financial resources for social programmes from external and domestic private sources included, among others, tax-exempt donations from private corporations, and the windfall proceeds to Governments from privatization programmes.

(j) Cooperatives, people's banks and other private, non-profit grass-roots financial institutions could be very effective in generating informal-sector savings and providing credits to persons lacking collateral or formal employment security. It was stressed that the poor were able to pay back loans at commercial rates and that recovery had been high. However, the scope of such institutions was limited in terms of reaching large numbers of

people, for which reason they could not fully substitute for financial intermediation by Governments and the private banking sector.

(k) It was important for the poor to have access also to basic insurance coverage, with NGOs acting as intermediaries between the informal sector and private insurance companies in the provision of these services.

Mobilization of external resources for poverty alleviation

9. The exchange in the Intergovernmental Group of Experts on this sub-item showed a convergence of views on the following:

(a) The need for the donor community's support to the poverty alleviation policies, programmes and projects of recipient countries in a spirit of partnership and cooperation in developing consistent approaches by donors and recipients.

(b) Poor countries had limitations in raising enough resources to alleviate poverty both domestically and through trade (because of lack of market access and/or unfavourable prices). Hence they were relatively more dependent on external assistance. Effective use of available resources through, inter alia, policy reforms, and involvement of religious and local institutions could greatly enhance efficiency.

(c) Many countries were undertaking stringent reforms and would need more flexibility in the application of conditionalities in order to pursue reforms successfully.

(d) Important modalities for both multilateral and bilateral aid directed to anti-poverty projects should include quick disbursement, concessional terms (for middle-income as well as low-income countries), and waiving of local cost financing.

(e) A condition of success of anti-poverty aid programmes and projects was the involvement of recipient countries already at the design stage. Participation of recipients in the implementation stage and providing them with training when necessary was also a prerequisite to success and sustainability of anti-poverty projects.

(f) There was a need for assistance from the international community in helping countries to develop an adequate database, which should be gender-specific, to enable proper targeting of programmes and projects as well as to evaluate them. Qualitative data could, however, be used as a proxy or a complement to available information.

(g) Instruments for mobilizing additional external resources for poverty alleviation could include commercial debt swaps, official debt conversion schemes to national currency to be used for anti-poverty projects.

Note

a/ TD/B/CN.2/GE.1/2, UNCTAD/PA/2, UNCTAD/PA/3 and UNCTAD/PA/4.

Annex II

COMMUNICATION FROM THE PERMANENT MISSION OF THE ARAB REPUBLIC OF EGYPT TO THE UNITED NATIONS OFFICE AT GENEVA*

[dated 18 February 1994]

The Permanent Mission of the Arab Republic of Egypt to the United Nations Office at Geneva presents its compliments to the secretariat of the United Nations Conference on Trade and Development and, referring to the statement made by the Egyptian delegation on 28 January 1994 at the closing plenary meeting of the Intergovernmental Group of Experts on Poverty Alleviation, has the honour to communicate herewith the comments made by the Egyptian delegation at the informal meeting on Wednesday, 27 January 1994 concerning the two documents presented by the UNCTAD secretariat to the meeting, namely TD/B/CN.2/GE.1/2 and UNCTAD/PA/2, to be included in the final report of the Group.

* In connection with the communication, see paras. 21 and 22 above.

COMMENTS ON DOCUMENT (I):

RECENT DEVELOPMENTS IN SOCIAL FUNDS AND SAFETY NETS
(UNCTAD/PA/2 - 22 November 1993)

1. Re paragraph 35, p.13: "Laid-off employees in Egypt are entitled to early retirement benefits, severance pay, unemployment insurance, retraining, placement, food and seed money to start new businesses .... In addition, the Ministry of Labour has a programme of vocational training which is partly funded by the SN. and assistance to public employees to find work in the private sector."

The description of the above-mentioned programme is inaccurate. There is no provision of food to either laid-off employees in Egypt or to graduates. Moreover there appears to be a lack of distinction between programmes offered by the SFD and those that are a part of Egypt's social security system.

2. Re paragraph 65, p.21:

(a) "Egypt's ESF reportedly has 290,000 beneficiaries (0.5 per cent of the population). No concrete data are available on the composition of beneficiaries but allocations by type of project can be used as indicators: ..."

Egypt's SFD has 9 million beneficiaries, Egypt's population is estimated to be 57 million. The SFD subsequently serves 16 per cent of the whole population.

(b) "The poorest appear to be a minority among ESF beneficiaries while the bulk of its operations has benefited well organized and vocal urban middle income groups."

In sentence (a), a statement is made as to the unavailability of concrete data. However, in sentence (b), the author makes an inference that the poorest appear to be a minority among SFD beneficiaries. If concrete data is indeed unavailable, it is unfounded to conclude that the poorest are among the major beneficiaries.

In addition, the statement that urban middle-income groups are benefiting from the bulk of operations is misleading. The SFD addresses two specific target groups - the poor and the unemployed - that are negatively correlated. The poor are not necessarily unemployed, and the unemployed are essentially university graduates who are not considered among the poorest. Each of these target groups is addressed and is granted particular attention, by the corresponding programmes of the SFD.

3. Re paragraph 65, p.21: "18 per cent is invested in public works, mostly in the capital city and urban areas."

The SFD has a Public Works component which provides basic services and infrastructure throughout rural Egypt. The author of the paper stated that 18 per cent of SFD funds are allocated to such public works projects, which are described as being mostly in the capital city and urban areas. In actual fact, all these funds are assigned to provincial areas only.

4. Re paragraph 72, p.22: "... an internal ESF evaluation has recently projected an increase in personnel to reduce delays in disbursement."

No internal evaluation of the SFD, to our knowledge, has occurred. It is also important to note that given the size of SFD operations, the SFD remains understaffed. The number of professional staff today is 120, which is less than the designed number set by the UNDP Main Phase Project Document, signed with the SFD in August 1993. (Target staff is set at 145 employees.)

In fact, the increase in personnel of the Social Fund has been necessary to keep up with the rapid expansion of the SFD's scope of operations. Not only have activities increased, but in addition the SFD has expanded from its main office in Cairo to 10 regional offices throughout Egypt's governorates.

5. Re paragraph 75, p.23: "The cost per job, therefore, is much higher, for instance, US$ 5,300 in Egypt, ..."

This figure is inaccurate. Costs per job are an average of US$ 100 in the Public Works and Community Development Programmes, and an average of US$ 3,000 in the Enterprise Development Programme.

6. Re paragraph 77, p.24: "Egypt also had a two-year delay in starting and a recent evaluation acknowledged that the rate of project implementation and disbursement is well below planned targets."

The first two years of the SFD were part of the UNDP Preparatory Phase Project. This Project was expected to initiate the establishment of the SFD and facilitate the appraisal of its operations by the donors. Framework Agreements defining mechanisms for project appraisal and financing were signed between the Government of Egypt and the donors in December 1992. It is important to note that the flow of funds began only in March 1993.

In addition, there has been no "recent evaluation" to our knowledge, and overall project implementation and disbursement since March 1993 have been well within anticipated targets.

7. Re paragraph 84, p.25: "But part of that problem was caused by the inadequate capacity of ESF personnel who had to take intensive training."

At no time did SFD personnel undergo intensive training. They are especially qualified to provide assistance to sponsoring agencies and to ensure technical expertise for project implementation.

The staff of the SFD were highly praised by the World Bank, and were recently invited to lend their expertise to the Occupied Territories, Jordan, Lebanon, and other Arab countries.

8. Re paragraph 96, p.27: "In Egypt, a substantial portion of its ESF funds are allocated to a revolving fund that lends with interest to the beneficiaries but no data are available on repayment."

Most of these lending programmes feature a grace period of one year, which makes repayment due some time in 1994. Detailed information concerning the repayment of loans is readily available in the Portfolio Management Report, and the SFD is undertaking close monitoring and evaluation of these programmes.

9. Re paragraph 100, p.29: "... Ghana and Egypt, and the former two countries have successfully promoted participation while the latter two have performed poorly in that task. It could be argued, however, that these two Latin American countries have more developed NGOs than their two African counterparts."

Despite the often low managerial and technical capacities of NGOs in Egypt, the SFD is actively promoting NGO participation in its programmes. For instance, almost all projects within the framework of the SFD Community Development Programme, are implemented in cooperation with NGOs. Of the total SFD resources of LE 2,046 million, LE 386 million - that is, 19 per cent - have been allocated to NGOs.

10. Re paragraph 105, p.30: "Egypt's ESF is rapidly developing regional offices to improve the low capacity of NGOs."

The SFD has developed regional offices not only to improve the capacity of NGOs, but to meet the needs of the SFD's increasing activities in the governorates. The regional offices are an effective outreach channel to identify both community needs and eligible sponsoring agencies. Although they may in some instances provide training and technical assistance to regional NGOs, they essentially promote the SFD to vulnerable population groups in areas with limited accessibility to the main office in Cairo, and they monitor and evaluate the progress of projects being implemented, and ensure their follow-up.

11. Re paragraph 109, p.31: "... beneficiaries ... in Egypt ... appear to be 0.5 per cent ... of the total population ..."

Refer to No. 2 above.

* * *

COMMENTS ON DOCUMENT (II):

EXCHANGE OF EXPERIENCES ON POVERTY REDUCTION IMPACTS OF SOCIAL FUNDS AND SAFETY NETS, INCLUDING MOBILIZATION OF DOMESTIC AND EXTERNAL RESOURCES FOR POVERTY ALLEVIATION
(TD/B/CN.2/GE.1/2 - 12 November 1993)

1. Re paragraph 16, p.7: "Egypt's ESFs ... beneficiaries account for only 0.5 per cent ... populations and these are principally urban groups, most of whom are not among the poorest."

The total number of SFD beneficiaries is 9 million, which account for 16 per cent of Egypt's population. These beneficiaries are essentially in rural areas, namely areas with the highest poverty and unemployment index. Those who are among the poorest are attended to by the SFD's Community Development Programme (CDP) in particular. To date, the CDP has contracted 48 projects using a budget of LE 121 million and serving approximately 2 million beneficiaries in the rural areas. These projects are expected to provide an estimated 18,000 temporary and 73,000 permanent job opportunities.

2. Re paragraph 19, p.8: "... aid to redeployed civil servants due to economic reform, university graduates and other unemployed groups, mostly urban, with uncertain long-term effects and high costs per beneficiary."

The SFD does not mostly serve urban groups (see No. 1 above). In addition, as recognized by the author in other sections of documents (I) and (II), SNs such as Egypt's SFD are not designed to address long-term structural poverty. They are intended to mitigate the displacement of groups such as civil servants, university graduates and unemployed only in the short term during economic reform.

3. Re paragraph 24(d), (ii), p.11: "On the basis of a comparative analysis of staff efficiency in five SNs, based on two rough indicators (i.e. the average amount of funds managed by employee and the average number of projects handled by employee) ... and Egypt last."

In this statement, the author is implying that average funds and the average number of projects handled by employee are low. However, average funds per employee are approximately US$ 5 million, while the average number of projects per employee within the context used by the author is approximately 1.13.

One might add that this latter figure is misleading in that one SFD project can include up to 20-30 components, referred to by the SFD as subprojects; one component or subproject is considered by other SNs as one project. The average number of projects per employee is therefore much higher in actual fact than 1.13.

4. Re paragraph 24(e), p.11: "two-year delays occurred in Egypt .... The causes of these problems are both external ... and internal such as excessive centralization, cumbersome procedures, poor information and accounting deficiences."

Refer to Document (I), No. 6 above.

5. Re paragraph 29, p.13: "Apparently there are no counterpart contributions in Egypt ..."

This statement is inaccurate. Counterpart contributions to the SFD are a minimum of 10 per cent.

6. Re paragraph 33, p.14: "The degree of non-government participation in managing projects ... [is] very limited in Egypt ..."

As mentioned in Document (I) No. 9, non-government participation has a 19 per cent share in total SFD funds. NGOs play a particularly important role in Community Development projects, and are the basis for their successful development.

* * *

Annex III

ATTENDANCE a/

1. The following States members of UNCTAD were represented at the session:

Afghanistan
Algeria
Argentina
Australia
Austria
Bangladesh
Brazil
Cape Verde
Chile
China
Colombia
Cuba
Czech Republic
Democratic People's Republic of Korea
Denmark
Ecuador
Egypt
El Salvador
Finland
France
Germany
Ghana
Greece
Guatemala
Guinea
Indonesia
Iraq
Ireland
Italy
Jamaica
Japan
Libyan Arab Jamahiriya
Madagascar
Malawi
Malaysia
Mexico
Morocco
Mozambique
Myanmar
Nepal
Netherlands
Niger
Nigeria
Panama
Philippines
Portugal
Qatar
Republic of Korea
Russian Federation
Slovakia
Spain
Sri Lanka
Switzerland
Thailand
Tunisia
Turkey
Uganda
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Venezuela
Zambia
Zimbabwe

2. The following other State member of UNCTAD was represented as an observer at the session: India.

3. The Economic and Social Commission for Western Asia, and the United Nations Development Programme were represented at the session. The International Trade Centre UNCTAD-GATT was also represented at the session.

4. The following specialized and related agencies were represented at the session:

International Labour Organisation
Food and Agriculture Organization of the United Nations
United Nations Educational, Scientific and Cultural Organization
World Health Organization
International Monetary Fund
World Meteorological Organization
United Nations Industrial Development Organization

5. The following intergovernmental organizations were represented at the session:

African, Caribbean and Pacific Group of States
European Union
Organisation for Economic Cooperation and Development
Organization of African Unity

6. The following non-governmental organizations were represented at the session:

General Category

Friends World Committee for Consultation (Quakers)
International Association of Agricultural Economists
International Cooperation for Development and Solidarity
International Cooperative Alliance
International Council of Voluntary Agencies
International Council of Women
World Assembly of Small and Medium Enterprises
World Confederation of Labour
World Federation of United Nations Associations
World Veterans Federation

7. A representative of the Comparative Research Programme on Poverty, a non-governmental organization, attended the session at the special invitation of the UNCTAD secretariat.

Note

a/ For the list of participants, see TD/B/CN.2/GE.1/INF.1.